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MEMORANDUM FOR THE RECORD

SUBJECT: Congressional Budget and Impoundment Control
Act of 1974 (H.R. 7130)

The Congressional Budget and Impoundment Control Act profoundly changes the way Congress will deal with the budget procedure and possibly with program reviews. (The conference report is attached.) This paper is divided into two parts: the first discusses the new law itself and the second comments on its impact on the Intelligence Community.

PART I

A. Budget Committees are established in each house to focus on budget totals and to make explicit decisions on appropriate budget levels. Before acting on appropriations and spending measures, Congress will be required to adopt a budget resolution setting target figures for total appropriations, total spending, and appropriate tax and debt levels.

The House Committee will have 23 members, 5 drawn from Appropriations, 5 from Ways and Means, 11 from other committees, 1 at the recommendation of the Majority leadership, and 1 at the recommendation of the Minority leadership. Members can serve on the House Budget Committee during no more than two of five successive Congresses.

The Senate Committee is established as a major regular Standing Committee of the Senate with 15 members. An approved Senate floor amendment requires that Senate Budget Committee meetings and hearings will be open to the public except when a majority determines that matters under

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discussion will disclose information "necessary to be kept secret in the interests of national defense or the confidential conduct of the foreign relations of the United States." Other exceptions are granted for protection of confidential law enforcement sources, trade secrets, personnel matters, etc. The House Committee does not have a similar provision in its charter.

B. A Congressional Budget Office (CBO) is created to strengthen Congressional resources for fiscal and budget information. Its Director is to be appointed by the Speaker of the House and the President pro tempore of the Senate on recommendations of the Budget Committees to serve a four-year term. The CBO is to submit an annual report to the Budget Committees to help them in preparing the Budget Resolution. The CBO will also assist, in descending order of priority, the Committees on Appropriations, the House Ways and Means and Senate Finance Committees, other House or Senate committees and Joint committees, and individual members.

The Director of the CBO is authorized to secure information, data, estimates, and statistics directly from the various departments and agencies of the Executive Branch, "other than material the disclosure of which would be a violation of law." Public access to this information is guaranteed with, however, the same exceptions outlined in paragraph 1A above.

C. In order to give Congressional Committees more time to study budget issues and to reduce reliance on continuing resolutions: the fiscal year is changed to October 1 to September 30; effective October 1, 1976; authorizing legislation is to be reported by May 15 (waiver provisions are included); the President is required to submit proposals for authorizing legislation one year in advance; and five-year projections of expenditures are required to be submitted for long-term programs.

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The new Congressional timetable for dealing with the budget is as follows:

TIMETABLE

Sec. 309. The timetable with respect to the congressional budget process for any fiscal year is as follows:

<i>On or before:</i>	<i>Action to be completed:</i>
November 10-----	President submits current services budget.
15th day after Congress meets--	President submits his budget.
March 15-----	Committees and joint committees submit reports to Budget Committees.
April 1-----	Congressional Budget Office submits report to Budget Committees.
April 15-----	Budget Committees report first concurrent resolution on the budget to their Houses.
May 15-----	Committees report bills and resolutions authorizing new budget authority. *
May 15-----	Congress completes action on first concurrent resolution on the budget.
7th day after Labor Day-----	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
September 15-----	Congress completes action on second required concurrent resolution on the budget.
September 25-----	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1-----	Fiscal year begins.

D. The language of the Anti-Deficiency Act has been tightened to exercise greater control over impoundment procedures. Either house, by resolution, can veto an impoundment that defers spending. The President is required to submit a request for rescission when impoundments would have the effect of cancelling a program or would be used as a way to cut total spending for fiscal policy reasons. Unless the rescission bill passes both houses within 45 days, the President would have to spend the money. The Comptroller General is authorized to bring a compliance suit, with Congressional approval.

* Macroeconomic and functional

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E. New borrowing and contract authority and new entitlement legislation are brought under the purview of the Appropriations Committees. This is an attempt to end so-called "backdoor" spending. Trust funds and guarantee and insurance programs are exempt from this provision.

PART II

Legislation of such a sweeping nature is bound to leave numerous questions unanswered. Perhaps the most critical question concerns the will of the Congress itself. No timetable or procedure will be effective unless the members of Congress want to make the system function. An effort was made by Congress just after World War II to deal with the budget in a somewhat similar fashion. It foundered in less than a year.

Many on the Hill believe that things will be different this time around. Members are thoroughly frustrated with the present haphazard system; many of them have worked long and hard to create this new budget control mechanism, and they are dedicated to seeing that it works. This is not to say, however, that the timetable they have set out will be followed to the letter -- some slippage is almost inevitable, hence the waiver provisions in the legislation.

Because the system is yet to be tried, there is no assurance that things will work in the manner the Congress envisions. It is the intent of the drafters of the legislation, however, that the new Budget Committees will deal with macroeconomics and functions. In theory they are not expected to concern themselves with specifics at a program or agency level. For this reason, it is not thought that the Budget Committees will serve as another oversight layer in Congress, at least insofar as the Intelligence Community is concerned. However, if intelligence is spotlighted as a principal function and in part an answer to need definition of DOD or others, then a strong Budget Committee could treat our analysis as part of the macroeconomic aspect.

Any tendency by the Budget Committees to dig into the specific components of various programs will probably be resisted strenuously by the Appropriations Committees and

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their subcommittees as a transgression on their turf. The Budget Committees are to set over-all targets and guidelines; the Appropriations Committees will continue to do the breakdowns within specific programs and functions. At least at this time, it is not thought that the Director of Central Intelligence would be called upon to present the Community budget before the Budget Committees. Instead they would be expected to hear from the top ranking administration economists and perhaps from some widely-respected academic or business people.

Certain provisions of the legislation will have an impact on the Intelligence Community and the way it is accustomed to dealing with the budget:

A. The change from 1 July to 1 October for the beginning of the fiscal year may sound more ominous than it is likely to be. The intent of the drafters of the legislation is to avoid a 15-month budget and simply to work on a continuing resolution for the three months between July and October 1976. The CBO staff and the Office of Management and Budget (OMB) are to work out the procedures for this transition.


B. The legislation calls for submission one year in advance for authorizing legislation. There is also a requirement for five-year projections of expenditures. Both of these requirements reflect the determination of Congress to have a say in setting national priorities and to get a grip on the fiscal impact of proposed (or existing) programs. The Department of Defense already uses five-year budget projections. The CIA tried this procedure, but dropped it. The Agency probably will have little difficulty in reinstituting this procedure.

C. Concern has been expressed about the effect of Title X, Impoundment Control, on the Agency's contingency reserves, reprogramming between projects, and transferring funds hidden in other appropriations to their appropriate programs. The provisions of the new legislation are not expected to alter the current method of doing business in any way. Again, this is the intent of the drafters of the legislation, and the issue will have to be watched as actual procedures are developed.

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D. The new law requires that on November 10 of each year, the President submit to Congress a current services budget. OMB is to submit this budget and will call upon the individual agencies and departments for their estimates. These figures should be readily available in the Intelligence Community and would consist of estimates minus any program increases. An inflation factor will be built into the estimates.

E. The creation of new Budget Committees and the CBO will broaden to some extent the number of people with access to classified information on the Intelligence Community's programs and expenditures. The Committees' broad make-up will probably require some arrangement between our special committees and the new groups. Additional staff clearances will be required, but it is hoped that this can be kept to a minimum. Clearly, however, this will depend on whether or not the Committees and the CBO stick to their expressed intent to stay at a functional level and to set broad goals and targets and avoid getting into details about programs. 25X1


Coordination Staff/Secretariat